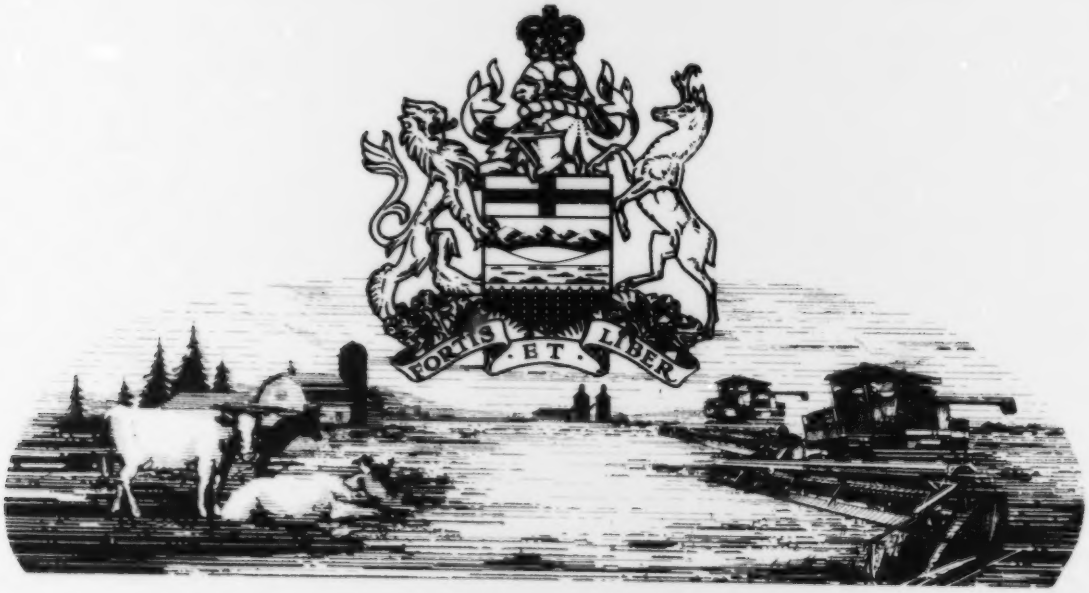
OUR COMMITMENT TO AGRICULTURE



Alberta

86-02819/

OUR COMMITMENT TO AGRICULTURE

Agriculture — Alberta's advantage.
An overview of provincial government support for agriculture, April 10, 1986.

Table of Contents

	Page
Agriculture's Importance to Alberta	5
Value of Agriculture	5
Size and Scope of the Industry	5
Major Strengths	5
Provincial Government Responses to Short-Term Problems	5
Climatic Conditions	7
Rising Input Costs	8
Agricultural Lending and Financial Management Programs	9
Livestock Producer Assistance	9
The Long-Term Commitment	10
Ongoing Programs	10
Water Resources Development for Agriculture	11
Agricultural Lending Programs	12
Support for Grain Transportation and Handling	12
Agricultural Research	13
Processing of Agricultural Products	15
Conclusion	15

Agriculture's Importance to Alberta

Value of Agriculture

Agriculture plays a vital role in the Alberta economy. Some 30 out of every 100 jobs in Alberta depend either directly or indirectly on our agricultural sector. Farm cash receipts in Alberta have increased from under $1 billion annually in the early 1970's to nearly $4 billion in 1985. The value of factory output from our processing and manufacturing of food products has increased from nearly $840 million in 1971 to approximately $4 billion in 1985.

Size and Scope of the Industry

In 1985, 17.7 million acres in Alberta were seeded to crop production with another 7.8 million acres allocated to tame hay and pasture. Approximately 1.1 million acres were serviced by irrigation district distribution systems and a further 200 thousand acres by private irrigation. Aside from producing a large volume and variety of field crops, Alberta is also a major producer of livestock. Over 700 million pounds of beef and over 230 million pounds of pork were produced in 1985.

Our food producers and processors are able to compete in almost any market in the world. Alberta's agricultural and food sector accounts for one-quarter of Canada's food production and over one-fifth of its agricultural and food exports. Over $4 billion worth of food products were shipped out of the province in 1985. Of that amount, in excess of $2.3 billion was exported internationally to countries such as the United States, Japan, the United Kingdom, the U.S.S.R., the People's Republic of China, Brazil and East Germany.

Major Strengths

Alberta's agricultural sector has significant major strengths that form the basis for continued growth. The rapid development experienced in agricultural and food production has been made possible through effective utilization of our abundant supply of good agricultural land, inexpensive energy, favourable climate and dynamic people who are willing to innovate and take the risks necessary to increase food production.

Still, there is tremendous potential to expand primary production and food processing. Additional suitable land can be brought into production, irrigated acreage will increase and technological change will promote enhanced productivity. Our food processors are as technologically efficient as any of their competitors. Mechanical and electronically assisted processes are being implemented and computer-assisted operations and robotics, while still in the development stage, will become widespread. The government encourages the expansion of agricultural processing through a wide variety of programs.

Provincial Government Responses to Short-Term Problems

While Alberta's agricultural sector has long-term strength and great potential, it is experiencing short-term difficulties. Rising input costs, falling land values, increasing competition in international markets from heavily subsidized producers, balkanization of domestic agricultural markets and abnormal climatic conditions have temporarily weakened the financial position of producers and distorted Alberta's natural production advantages.

The factors causing the short-run difficulties are beyond the control of individual producers and the provincial government. Nevertheless, the province responded by providing a safety net of programs listed in Table 1.

Agricultural Program Initiatives[a] — TABLE 1

Total Forecast Funding Commitment – $740 million

New and Enhanced Programs ($580 million forecast funding commitment)

- Dugout Construction and Filling Program
- Water Well Drilling and Development Program (Environment)
- Farm Water Grant Program (Utilities)
- Livestock Drought Assistance Program
- supplemental Alberta Livestock Assistance Program
- Alberta Crop Insurance Coverage Restoration Program
- enrichment of Alberta Farm Fuel Distribution Allowance (Treasury)
- Farm Fertilizer Price Protection Plan
- modification of Farm Development Loan Guarantee Program
- provincial participation in National Red Meat Stabilization Program
- Alberta Feed Grain Market Adjustment Program
- review of hog selling system
- Agricultural Processing and Marketing sub-agreement (Alberta share only)
- Strategy for Increased Market Share/Rural Agricultural Product Promotion

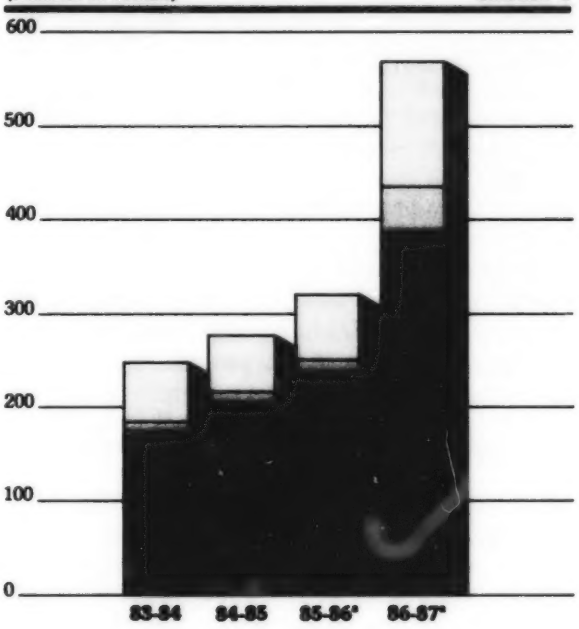
One-year Supplementary Funding Allocations ($160 million forecast funding commitment)

- carryover of 1984-85 Feed Freight Assistance Program
- funds to facilitate payment of crop insurance claims
- modification of crop insurance program to retain livestock feed in drought areas
- funding for administration of Hail and Crop Insurance Corporation
- Beekeepers Assistance Program
- Fresh Vegetable Production Incentive Program
- Grasshopper Control Assistance Program
- Interim Red Meat Insurance Program
- Pork Producers' Marketing Board debt retirement grant
- support to industry groups seeking replacement of imports
- funding for automation of Surface Rights Board offices

[a] Includes only those programs announced in 1985-86. Commitment figures based on forecast of 1985-86 expenditure, 1986-87 budget and projected future year funding requirements. The listing *excludes* such items as the Farm Implement Dealers Loan Guarantee Program ($25 million), the Small Grain Dealers Loan Guarantee Program ($13 million) and Forty Mile Coulee reservoir project ($58 million).

Chart 1 displays the dramatic increase in provincial government funding provided directly to the agricultural sector through Alberta Agriculture, the Alberta Agricultural Development Corporation, the Alberta Hail and Crop Insurance Corporation, and Alberta Treasury through the Alberta Farm Fuel Distribution Allowance. In addition, there is an assortment of other programs which indirectly support the agricultural sector.

Direct Expenditure on Agriculture
(millions of dollars) **CHART 1**



Climatic Conditions

The drought experienced over much of Alberta in 1984 and 1985 affected grain farmers and livestock producers.

The provincial government responded with a series of emergency water supply programs costing $7 million in 1985-86. These programs have been extended to give eligible producers more time to complete water well development and dugout construction and filling. A three-year $16 million Farm Water Grant Program was also initiated by the Department of Utilities to assist livestock producers in constructing water transmission facilities for domestic and stock-watering purposes. This will help to reduce the effects of future droughts. The government accelerated construction of the $58 million Forty Mile Coulee reservoir project which will help to ensure adequate water supplies to agricultural and domestic water users around Bow Island. Construction of the Oldman River dam is a high priority.

To assist livestock producers who were hit hard by decreased feed supplies caused by the 1984 drought conditions, the province expended a total of $925,000 in 1985-86 to complete the 1984-85 Feed Freight Assistance Program. When drought persisted in 1985, Canada and Alberta implemented a Livestock Drought Assistance Program for which Alberta provided nearly $25 million in 1985-86 and over $12 million is in the 1986-87 budget. As the effect of the drought spread, the government instituted the two-year $63 million supplemental Alberta Livestock Assistance Program, including $41 million for 1985-86.

The drought reduced crop yields. Claims totaling $280 million are expected to be paid under the Canada - Alberta crop insurance program. To ensure the timely payment of insurance claims by the Hail and Crop Insurance Corporation, the government approved a massive funding infusion of $162 million. A further $13 million was spent to modify the crop insurance program so farmers in drought areas could retain as much livestock feed as possible. A two-year $64 million Alberta Crop Insurance Coverage Restoration Program was put in place to maintain insurance coverage at the January 1, 1984 levels. The program is expected to provide additional support to over 11,000 subscribers whose coverage has been or will be reduced as a result of claims in 1984 and 1985.

The crop insurance program is an important part of the safety net provided by the government.

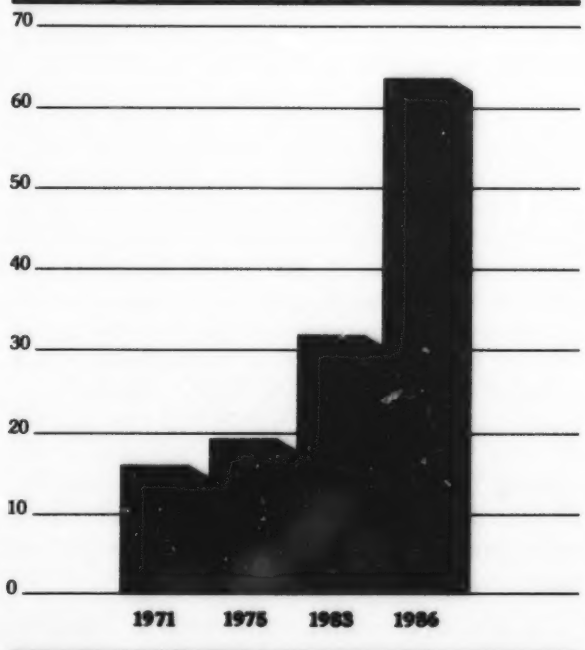
The Minister of Agriculture has announced that a full review of the crop insurance program will take place during 1986. The government's major objective is to develop an effective, comprehensive crop insurance program which will meet the needs of Alberta's farmers in the decades ahead.

To supplement assistance available under crop insurance, the province paid out $2.3 million for a special program to assist beekeepers. Fresh vegetable producers could not harvest all their 1984 production owing to the early winter; therefore, the government offered a one-time production incentive program which paid out $700,000. With the dry hot spring, several areas in southern Alberta had severe infestations of grasshoppers. Grants totaling $3.5 million were provided to cover half the cost of insecticides.

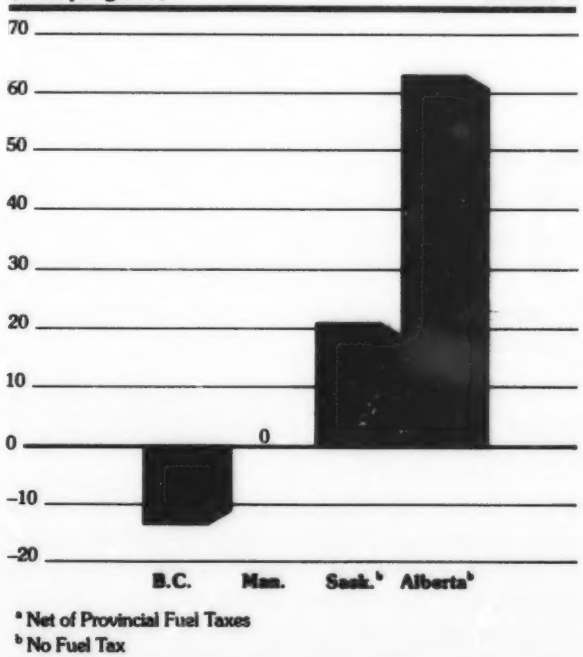
Rising Input Costs

Rising input costs have contributed to the weakened financial position of Alberta farmers. To reduce farm fuel costs further, the government doubled the benefit of the Alberta Farm Fuel Distribution Allowance from 7¢ per litre to 14¢ per litre (or 63.6¢ per gallon) as shown in Chart 2. Over its twenty-seven month duration, the enriched program will provide an additional $133 million to agricultural producers. This is in addition to the basic program which provides average annual benefits of $63 million to farmers. As shown in Chart 3, the benefit provided by the enriched Farm Fuel Distribution Allowance is three times that provided by Saskatchewan's comparable farm fuel program. Of the four western provinces, Alberta and Saskatchewan do not have fuel taxes.

Alberta Farm Fuel Tax Rebates and Grants
(cents per gallon) **CHART 2**



Comparison of Provincial Farm Fuel Tax Rebates and Grants[a]
(cents per gallon) **CHART 3**



[a] Net of Provincial Fuel Taxes
[b] No Fuel Tax

Fertilizer is another key farm input. The province's Farm Fertilizer Price Protection Plan significantly reduces the cost to Alberta farmers of nitrogen and phosphate fertilizers. The 1986-87 budget includes over $24 million to conclude this two-year $46 million program.

Producers who use natural gas in livestock, dairy and poultry operations, alfalfa processing, greenhouses, irrigation, grain drying and in sod and peat moss businesses have benefited by the extension through 1987 of the Primary Agricultural Producers Natural Gas Rebate Program. $4 million is expected to be paid out in 1986-87.

Agricultural Lending and Financial Management Programs

Credit programs are important to the industry, particularly to farmers who require debt financing at reasonable interest rates to enter the industry or expand their operations. In 1985 the Agricultural Development Corporation extended interest incentive rebates to years six and seven on those Beginning Farmer loans which were to be renewed by March 31, 1987. A Farm Development Loan Guarantee Program was introduced in January, 1985 to aid farmers in obtaining needed operating credit. To provide farmers with faster, simpler access to up to $100,000 in operating capital, changes have been made to this program so that loan applications can be processed and administered directly by cooperating lenders.

In response to producers' financial difficulties, the Agricultural Development Corporation implemented its Enterprise Counselling Program. Since the five-year program began in January 1985, over 300 producers have received financial counselling from respected and competent farmers and businessmen. The Department of Agriculture also introduced a series of comprehensive financial management training programs known as "Gear Up Financially", as well as individual consulting and record keeping assistance. In 1986-87 approximately $2 million has been budgeted for the second year of this four-year program.

Two key agricultural service sectors have benefited from recent provincial initiatives. Without provincial assistance, Alberta's smaller grain dealers would have had difficulty meeting the Canadian Grain Commission's demand for 100 per cent security against all grain transactions. To cover the period to July 31, 1989 the province has made available a total of $13 million to guarantee a portion of dealers' lines of credit normally used as security to the Canadian Grain Commission.

With the short-term decrease in producer incomes, farm implement dealers have had lower sales with the result that they have had to finance higher inventories. To encourage chartered banks to extend loans for working capital purposes, the government has made available up to $25 million in loan guarantees. The program expires December 31, 1987.

Livestock Producer Assistance

Alberta's livestock producers needed help. They faced weak consumer demand, drought, continued heavy subsidization of producers by other governments and restricted access to U.S. markets.

The province responded with an Interim Red Meat Insurance Program under which $41.7 million was paid out. In January, 1986 Alberta agreed to enter the National Red Meat Stabilization Program. The program will help stabilize producer returns in a cyclical market, lead to reduced subsidization by other provinces and reduce the likelihood that countervailing actions will be taken by the United States. Over $20 million has been budgeted as the province's share of premium costs and program administration.

The industry's financial difficulties intensified provincial concern with the federal government's

policy of paying the Crow rate benefit to the railways rather than to grain producers. To neutralize the distortions in domestic feed grain pricing, the government expects to provide $133 million over two years to pay $21 per tonne on feed grains used by Alberta livestock producers. If federal government policy is corrected, the Feed Grain Market Adjustment Program will be terminated.

The province provided $5.5 million to the Alberta Pork Producers' Marketing Board to retire the debt associated with its purchase of Fletchers' Fine Foods. The province's retirement of the Marketing Board's debt meant that producer returns improved by approximately $2 for each hog sold. An independent review by the government of the hog selling system is underway.

Special grants totaling $100,000 were given to producer groups as support for their promotion of domestically produced red meat products.

The Long-Term Commitment

The provincial government is committed to providing programs which foster the continued development of a market-directed, competitive and viable agricultural sector. This commitment is shown by the diverse programs and services provided by Alberta Agriculture and other departments, and by activities supported by the Heritage Fund.

Ongoing Programs

Alberta Agriculture's 1986-87 budget of $273.7 million will fund programs and services which, although perhaps not as well known as recent initiatives, are important to the industry's longer-term growth. A representative listing of ongoing agricultural programs and services offered by the provincial government is presented in Table 2.

Representative Listing of Provincial Agricultural Programs and Services **TABLE 2**

Feed Grain Breeding Program
Soil Testing Service
Lime Freight Assistance Program
Dairy Herd Improvement Program
Dairy Farm Inspection
Meat Inspection Services
Nutritive Processing Assistance
Land Classification Services
Municipal Seed Cleaning Plant Program
Green Certificate Farm Training Program
District Agriculturist Services
District Home Economist Services
Food Laboratory Services
Surface Rights Board
Farmers' Advocate
Farmers' Market Assistance
Summer Farm Employment Program
Agricultural Societies Program
Agricultural Service Board Program
Soil Conservation Program
Market Development Assistance
High-Risk Subsidy for Crop Insurance
Wildlife Crop Damage Compensation
Agricultural Engineering Services
Farm Safety Program
Livestock Predator Compensation Program
Assistance for Rental or Purchase of Fuel Oil or Propane Tank
Skill Training Courses
Farm Financial Management Training, Counselling and Assistance Program
Provincial Shelterbelt Program
Coyote Control Program
Rat Control Program
Nutrition at School Program
Bacterial Ring Rot Program
Knapweed Eradication Program
Alberta 4-H Program
Market Garden Development Program
Irrigation and Drainage Advisory Services

Alberta Heritage Savings Trust Fund Support of Agriculture[a] **TABLE 3**
(millions of dollars)

Prince Rupert Grain Terminal	134
Capital Financing of Alberta Agricultural Development Corporation Lending Programs	1,041
Rail Hopper Cars	54
Irrigation Rehabilitation and Expansion	182
Irrigation Headworks and Main Irrigation Systems Improvements	259
Paddle River Basin Development	41
Food Processing Development Centre	8
Grazing Reserves Development	32
Farming for the Future Program	35
Total Heritage Fund Support	1,786

[a] Forecast as of March 31, 1986.

Complementing the numerous agriculture-related programs offered by government departments and agencies are the Heritage Fund programs listed in Table 3.

Water Resources Development for Agriculture

Irrigation development and expansion remains a high priority. As noted in Table 3, the Heritage Fund has supported irrigation rehabilitation and expansion ($182 million) and irrigation headworks and main systems improvements ($259 million). Further irrigation development will broaden and stabilize the economy of Alberta by promoting diverse agricultural products, encouraging the development of processors and service firms, and by reducing the effects of market and climatic disturbances. Projects like the Oldman River dam provide assured water supplies needed by farmers, industry and municipalities. Equally important is the conservation and improvement of the agricultural land base. An additional $1.4 million has been provided to modify drainage and erosion control programs to make them more responsive to identified needs. Table 4 lists some of the recent water resources projects related to agriculture.

Water Resources Development Projects Related to Agriculture **TABLE 4**

Major Projects Recently Completed

Dickson Dam
Namepi-Kennedy Creeks Flood Control
Vermilion River Flood Control
Pine Creek Flood Control
South Sneddon Erosion Control
Lesser Slave Lake Stabilization (AHSTF)*
Sheerness Pipeline and Blowdown Canal (AHSTF)
Bouchard Drainage
Podruzney Drainage
Badger Reservoir (AHSTF)
Teepee Creek Erosion Control
Deadfish Diversion (AHSTF)
Crawling Valley Reservoir (AHSTF)

Projects Underway

Oldman River Dam
East-West Prairie River Erosion and Flood Control
Swan River Dyking
Rehabilitation of flood control and drainage projects in northwest Alberta
Paddle River Flood Control (AHSTF)
Lethbridge Northern Irrigation District Headworks and Main Canal (AHSTF)
Other irrigation headworks (AHSTF)
Red Deer River Erosion Control
Tyrrell - Rush Lakes
Shoal Creek Flood Control
Pigeon Creek Flood Control
Parlby Creek - Spotted Lake
Keho Lake Reservoir (AHSTF)
Forty Mile Coulee Reservoir (AHSTF)
St. Mary River Irrigation District Main Canal (AHSTF)
Rehabilitation/expansion of irrigation systems (AHSTF)

Total Funding Estimated to Exceed $1.2 Billion.

* AHSTF - Funding provided by Alberta Heritage Savings Trust Fund.

Agricultural Lending Programs

The 1986-87 budget contains $111 million to maintain the lending programs and services of the Alberta Agricultural Development Corporation. Since its inception in 1972, the corporation has authorized $1.3 billion in direct farm and agribusiness loans and provided guarantees on $1.3 billion worth of loans made by other financial institutions. An additional $3.6 million has been provided to modify the existing Farm Development Loan Guarantee Program.

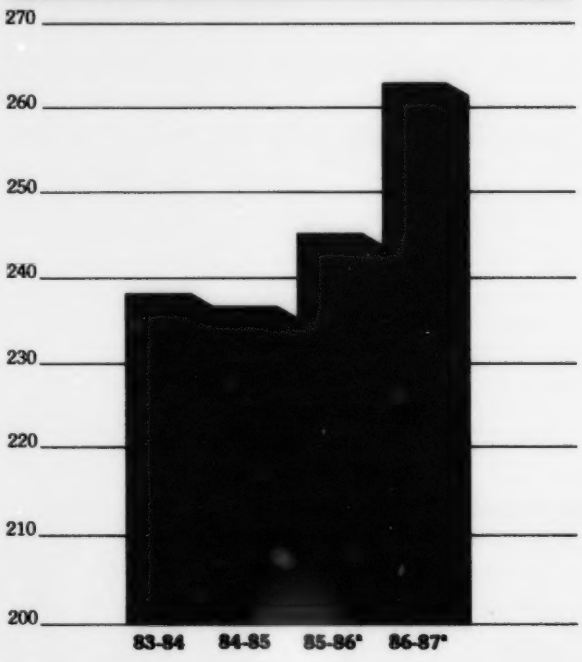
A major new Alberta farm financing program was announced in the Speech from the Throne on April 3, 1986. Using Alberta's two unique strengths – the Heritage Fund and the best provincial credit rating in Canada – the government will provide $2 billion to farmers and ranchers at a stable 20-year interest rate of 9 per cent.

Support for Grain Transportation And Handling

Another example of the government's long-term commitment is its investment of close to $260 million for the Prince Rupert Grain Terminal to facilitate the shipping of Alberta grain to international markets. Provincial ownership and funding for the upgrading of inland grain terminals in Lethbridge, Calgary and Edmonton have helped the movement of grain within the province. An investment of $54 million by the Heritage Fund in 1,000 grain hopper

cars between 1980 and 1982 increased the grain carrying capacity of the railway system. Alberta's extensive network of well-maintained, high quality highways and roads facilitates the movement of agricultural products. As shown in Chart 4, provincial government expenditure in 1986-87 on rural and local highways is expected to be $263 million, up $18 million from 1985-86.

Expenditure on Rural-Local Highways
(millions of dollars) **CHART 4**



* Estimate

Agricultural Research

To maintain and expand our presence in an increasingly competitive world market, Alberta's producers must have access to the newest production technology. Heritage Fund support for the Farming for the Future Program promotes the development of new agricultural technology and its demonstration to farmers. Since Farming for the Future was established in 1979, $35 million has been provided to administer and support 337 research projects and 268 on-farm demonstration projects (see Table 5). Major research programs have included the accelerated development of canola varieties suitable to the Peace River and southern Alberta regions and the development of an Alberta honey bee. While Alberta Agriculture conducts several significant research programs, Farming for the Future funding remains key to the practical application of new agricultural technology.

Farming for the Future Program — TABLE 5

Research Projects and Estimated Funding by Program Area, 1979 to 1986

Program Area	Number of Projects	Dollars Awarded*
Cereals and Oilseeds	36	6,586,348
Crop Protection and Entomology	27	2,356,649
Forages	43	4,332,388
Irrigation	13	885,855
Land Resources and Engineering	30	3,926,652
Non-Ruminants	34	2,195,609
Processing, Transportation, Marketing and Socio-Economics	40	1,938,157
Ruminants	88	7,215,492
Special Crops	26	1,854,461
Total	337	31,291,611

* Does not include funding provided for program administration and on-farm demonstration projects.

Research Projects and Estimated Funding by Year

Year	Number of Projects		Dollars Awarded
	New	Renewed	
1979-80	54	–	2,133,680
1980-81	31	51	3,191,107
1981-82	25	80	4,043,317
1982-83	40	101	5,711,411
1983-84	49	93	7,042,460
1984-85	101	–	4,343,769
1985-86	37	66	4,825,867
Total	337		31,291,611

On-Farm Demonstration Projects and Funding Awarded by Region

(dollars)

Region	Projects	1982-83	1983-84	1984-85	1985-86[b]
Southern	38	29,843	68,302	58,187	57,493
South Central	52	15,325	25,236	45,422	60,259
North Central	68	36,986	26,778	38,552	42,491
Northeast	33	14,150	42,683	55,196	33,799
Northwest	52	25,257	63,039	43,413	65,092
Peace River	25	19,932	74,984	34,634	33,696
Total	268	141,493	301,022	275,404	292,830

[b] Estimated funding to December 31, 1985.

Processing of Agricultural Products

The province supports the private sector in expanding the processing and marketing of Alberta's agricultural products. The Food Processing Development Centre was established with $8 million from the Heritage Fund to offer Alberta's food industry and researchers an Alberta facility for the development of new products, processes and packaging systems.

Through a federal - provincial subsidiary agreement, over $30 million in capital grants has been provided to nutritive processing firms such as bakeries and meat processors to establish, modernize and expand their facilities. As well as increasing the degree of processing in Alberta, the program encourages the development of small businesses throughout rural Alberta. A new five-year $50 million federal - provincial cost-shared agreement was signed in February, 1986 which will provide even more support to a larger number of firms involved in the processing and marketing of agricultural products.

To assist municipalities in attracting agricultural processing firms, changes have been made to the Alberta Municipal Water Supply and Sewage Treatment Grant Program administered by the Department of Utilities. During the next five years, communities which need to develop or expand water and sewage facilities to accommodate specific agricultural processing projects will be eligible to receive additional provincial funding assistance.

To support industry marketing initiatives, the government enacted a three-year $2 million program to increase consumer recognition and buying of Alberta food and beverage products. Second-year funding of $704,000 is budgeted for 1986-87. This special marketing program is in addition to the province's support for and participation in numerous trade missions, shows and exhibitions.

Conclusion

The short-term difficulties now facing the industry may obscure its unlimited potential for long-term growth, but agriculture in Alberta is dynamic. With the provincial government's timely support, the industry will rebound as in the past. The abundant supply of land, energy, good climate and resourceful people will continue to make us proud of this vital industry.